

SUMMARY OF DISCUSSION

INTERNATIONAL ENERGY SECURITY GROUP

MEETING NOVEMBER 15, 1982

Under Secretary Wallis opened the meeting by observing that the Group had been renamed the International Energy Security Group (IESG) in a memo to principals from NSC adviser William Clark. The Clark memorandum also recommends that the mandate of the Group be expanded to encompass all non-nuclear energy policy and security issues. Wallis asked if there were any comments or objections to such an expanded mandate for the Group. There were none.

Domestic Proposals

William Martin (NSC) summarized the status of other related energy alternatives activities growing out of the work of the Alternative Energy Group. The Cabinet Council on Natural Resources and Environment is expected to review the Group's domestic recommendations on or about November 26. An NSC-led working group will be preparing a "short note" on the foreign policy implications of allowing Alaskan oil exports to Japan. These two papers, plus the report on international measures now before the Group, would be considered at a future SIG-IEP meeting.

Mr. Leland (Treasury) observed that a SIG-IEP discussion cannot be scheduled until the three papers to be considered are in hand. Mr. Wallis added that all reports, such as the report of the NSC working group on Alaskan oil, should be reviewed by the IESG before going to the SIG-IEP.

On Alaskan oil, Harry Rowen (CIA) suggested that the substantive issues involved may be changing with recent discoveries off California and the Beaufort Sea lease auction. Mr. Kheddouri added that a successor paper on the Alaskan oil issue itself was needed. He said what was being asked for has been in flux, mentioning the suggested "investment tie-in" in the Alternative Energy Group's domestic issues report as an example of changes in the proposal. A paper on the proposal would also make it possible to address Secretary Lewis' concerns.

Bill Martin noted that the options paper attached to the original domestic measures report had had several pages on Alaskan oil. He suggested that in view of the time pressure to get the international measures report to the NSC, the Alaskan proposal be split off and considered separately in January 1983.

Mr. Khedouri observed that natural gas decontrol will not be ready for action until the new year either. This means that the two most significant recommendations of the Alternative Energy Group -- natural gas and Alaskan oil -- are not ready for decision.

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Bill Martin then suggested that his working group extract and update the section on Alaskan oil from the original Group report on domestic measures, and redistribute the draft to Group members for comment. Mr. Wallis said that if necessary the Alaskan oil paper could be brought back to the Group for comment.

Relationship of Group to East-West Agreement Studies on Energy Dependence

Mr. Wallis commented briefly on the agreement on East-West relations and the lifting of the oil and gas sanctions announced over the weekend. While the agreement said nothing about the machinery for the study, the USG would need to think through how to handle this issue. Mr. Leland asked if Mr. Wallis would address this question at the SIG-IEP November 16.

Report on International Measures

Under Secretary Wallis asked for comments on the draft report on international measures. The report was approved, subject to the following changes and/or additions:

- 1) The two bracketed phrases on pp. 2-3 will stay in, but a footnote will be added noting the relationship between this language and the "non-paper."
- 2) Add the words "physical gas flows" to the characterization of the IEA gas study on page 3.
- 3) The recommendation 3 on page 4 will be amended to make it clear that the energy "alternatives" to be stimulated do not include uneconomic "exotic" technologies, such as solar, fusion, etc. It should also be made clear that any U.S. subsidies for European gas consumers would probably be politically unacceptable.
- 4) General language will be added to recommendation 3, on page 4 stating that this effort of course does not preclude examination of energy alternatives issues in other fora. This is to allow for the non-paper energy study.
- 5) On page 4, in either recommendation 3 or recommendation 4, include a reference to the need for detailed engineering studies of Troll gas development options.

Future Meetings

Under Secretary Wallis observed that meetings are always most successful when properly prepared. He noted that the newly retitled IESG has several subsidiary groups reporting to it, including the IG's on International Energy Policy, International Energy Research and Development Policy, and the informal alternative energy staff working group. He said that he would be giving further thought to working out a system of assigning tasks.

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